



T+0 and Instant Settlement Cycle

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Why in News?

The [Securities and Exchange Board of India \(SEBI\)](#) has proposed a new system for settlement of funds and securities on **T+0 (same day)** and instant settlement cycle on an optional basis, supplementing the **existing T+1 (trade plus one day) settlement cycle** in the secondary markets for the equity cash segment.

- By embracing **popular instant payment methods such as [Unified Payment Interface](#)**, SEBI aims to adapt equity trading to modern investor preferences for enhanced flexibility.

What is the Settlement Cycle in the Securities Market?

- **T in Settlement Cycles:** The "**T**" in **settlement cycles** within financial markets refers to the day on which a transaction or trade takes place.
 - In this context, "**T**" **represents the transaction date**. The settlement cycle, denoted as "**T+n**," **specifies the number of days after the transaction date (T)** by which the settlement or completion of the trade occurs.
- **Evolution of Settlements Cycles :** SEBI has shortened the settlement cycle to **T+3 from T+5 in 2002** and subsequently to **T+2 in 2003**.
 - Presently, the **settlement of funds and securities occurs on the T+1 cycle in India**, which was phased in through **2021** and wholly implemented by **January 2023**.
- **SEBI's Proposed Phases for New Settlement Cycles:**
 - **Phase 1: T+0 Settlement Cycle**
 - An **optional T+0 settlement cycle** is envisioned for trades until 1:30 PM, aiming to settle funds and securities on the same trading day by 4:30 PM.
 - **Phase 2: Instant Settlement Cycle**
 - An optional **immediate trade-by-trade settlement**, including funds and securities, with trading until 3:30 PM.
 - SEBI has proposed the **initial rollout of the T+0 settlement for the top 500 listed equity shares** in three tranches (**200, 200,100**) based on market capitalization.
 - This initiative corresponds to the changing Indian securities market, marked by surging **volumes, values, and participants**.
- **Benefits:**
 - **Clients:** Enables **faster pay-outs of funds against securities** for sellers and vice versa, offering enhanced flexibility.
 - **Securities Market Ecosystem:** Accelerated pay-outs are expected to bolster the market ecosystem's efficiency and liquidity.

